REMARKS

I. Introduction

In response to the Office Action dated September 22, 2008, which was made final, and in conjunction with the Request for Continued Examination (RCE) submitted herewith, claims 2, 20 and 38 have been canceled, and claims 1, 19 and 37 have been amended. Claims 1, 3-9, 11-19, 21-27, 29-37, 39-45 and 47-54 remain in the application. Re-examination and re-consideration of the application, as amended, is requested.

II. Prior Art Rejections

In paragraph (4) of the Office Action, claims 1-5, 7, 19-23, 25, 37-41 and 43 were rejected under 35 U.S.C. §103(a) as being obvious over Johnson et al., U.S. Patent 7,082,411 (Johnson) in view of Sandretto, U.S. Patent 5,812,988 (Sandretto). In paragraph (5) of the Office Action, claims 6, 24 and 42 were rejected under 35 U.S.C. §103(a) as being obvious over Johnson in view of Sandretto and further in view Atkins, U.S. Patent 5,852,811 (Atkins). In paragraph (6) of the Office Action, claims 8, 9, 11-17, 26, 27, 29-35, 44, 45 and 47-53 of the Office Action were rejected under 35 U.S.C. §103 as being obvious over Johnson in view of Sandretto and further in view of Kuhlemeyer "Fundamentals of Financial Management" (Kuhlemeyer).

However, in paragraph (7) of the Office Action, claims 18, 36 and 54 were indicated as being allowable if rewritten in independent form to include the base claim and any intervening claims.

Applicant's attorney acknowledges the indication of allowable claims, but respectfully traverses the rejections. Specifically, Applicant's attorney submits that the combination of Johnson and Sandretto does not teach or suggest all of the various elements of Applicant's amended independent claims.

Nonetheless, the Office Action asserts the following:

> 4. Claims 1-5, 7, 19-23, 25, 37-41, and 43 are rejected under 35 U.S.C. 103(a) as being unpatentable over US Patent Number 7,082,411 to Johnson et al (hereinafter Johnson) in view of US Patent Number 5,812,988 to Sandretto (hereinafter Sandretto).
>
> As per claims 1, 19 and 37

Johnson discloses selecting accounts, amounts and rates (asset data) from account data stored in a database using selection criteria specified by one or more rules (column 4, lines 10-19) and performing one or more Future Value (FV) (CT, expected payoff) calculations on the selected accounts (column 9, lines 3-26 & 58-60) wherein the FV calculations determine a present value of an expected profitability value (score) of additional products that may be purchased (column 9, lines 3-26 & 58-60). Johnson further discloses propensity rules (risk) (column 9, lines 20-22 & column 16, lines 49-51). Johnson discloses matching the FV propensity rule against the selected accounts (column 4, lines 10-15 & column 9, lines 20-22) and using the FV propensity rule to calculate a FV amount from FV expected values (column 9, lines 3-26).

Examiner notes that propensity is the probability that something is likely to happen, a risk measure. Johnson teaches risk. One skilled in the art at the time the invention was made would understand that propensity rules are rules that measure and determine risk is a rate used to discount or decrease future cash flow to obtain a net present value. Examiner also notes that the equation in the reference is a Future Value equation solving for Net Present Value (NPV). It would have further been obvious to one skilled in the art at the time the invention was made that this equation could easily be manipulated to solve for Future Value or any of the other variables in the equation. Examiner further notes that Johnson further discloses assessing asset and respective data using an iterative and adaptive process (column 4, lines 10-13).

Johnson does not specifically teach applying one or more FV propensity rules (risk) to the selected accounts using the selected amounts and rates. Johnson also does not specifically teach determining an initial propensity rate for the matched accounts, calculating a rate change for the matched account, calculating an effective propensity rate for each forecast period by applying the rate change to each initial propensity rate for each forecast period, performing the FV propensity rule to calculate an FV amount from FV expected values and the effective propensity rates for each forecast period and storing the FV amount.

Sandretto teaches applying one or more FV propensity rules (risk) to the selected accounts using the selected amounts and rates (abstract & column 4, lines 13-16). Sandretto further discloses determining an initial propensity rate for the matched accounts (column 4, lines 40-55), calculating a rate change for the matched account (column 17, line 59 - column 18, line 1), calculating an effective propensity rate (column 9, lines 11-19) for each forecast period (column 10, lines 1-7) by applying the rate change to each initial propensity rate (column 4, lines 36-67 & column 10, lines 1-7) for each forecast period (column 10, lines 1-7) performing the FV propensity rule to calculate an FV amount from FV expected values (abstract & column 4, lines 13-16) and the effective propensity rates (column 8, line 60 - column 9, line 19) for each forecast period (column 10, lines 1-7) and storing the FV amount (column 23, lines 25-26 and 60-61) and column 24, lines 17-23). Sandretto also teaches that the propensity rules can be used to determine an asset's discount rate (column 4, lines 13-16) and therefore the present value that Johnson discloses. Examiner notes that the reference teaches both storing projected returns as well as storing Net Present Value, the

components of Future Value. It would have been obvious to one skilled in the art at the time the invention was made that storing of the components of Future Value could be used to easily determine the FV amount as FV is merely a calculation of the NPV in addition to returns.

Therefore it would have been obvious to one skilled in the art at the time the invention was made to apply one or more FV propensity rules (risk) to the selected accounts using the selected amounts and rates and to determining an initial propensity rate for the matched accounts, calculating a rate change for the matched account, calculating an effective propensity rate for each forecast period by applying the rate change to each initial propensity rate for each forecast period, performing the FV propensity rule to calculate the effective propensity rates for each forecast period and storing the FV amount as taught by Sandretto as the propensity rules can be used to determine an asset's discount rate and therefore present value and to account for both the increases and decreases of value needed to more accurately estimate future value based upon the iterative and adaptive process disclosed by Johnson.

As per claims 2, 20 and 38 Johnson does not specifically teach applying propensity rules to the selected accounts and applying the attrition rules to results of the propensity rules.

Sandretto teaches applying propensity rules to the selected accounts and applying the attrition rules to results of the propensity rules (column 8, line 60 - column 9, line 19).

Therefore it would have been obvious to one skilled in the art at the time the invention was made to apply propensity rules to the selected accounts and applying the attrition rules to results of the propensity rules as taught by Sandretto to account for both the increases and decreases of value needed to more accurately estimate future value.

The Office Action also asserts the following:

2. Applicant's arguments have been fully considered but they are not persuasive. Applicant states that the prior art does "not teach or suggest FV propensity rules, initial propensity rates, rate changes, effective propensity rates, or the specific steps or functions."

Sandretto teaches matching results of a FV propensity rule to the matched accounts (column 8, lines 65-67), applying one or more FV propensity rules (risk) to the selected accounts using the selected amounts and rates (abstract & column 4, lines 13-16). Sandretto further discloses determining an initial propensity rate for the matched accounts (column 4, lines 40-55), calculating a rate change for the matched account (column 17, line 59- column 18, line 1), calculating an effective propensity rate (column 9, lines 11-19) for each forecast period (column 10, lines 1-7) by applying the rate change to each initial propensity rate (column 4, lines 36-67 & column 10, lines 1-7) for each forecast period (column 10, lines 1-7) performing the FV propensity rule to calculate an FV amount from FV expected values (abstract & column 4, lines 13-16) and the effective propensity rates (column 8, line 60- column 9, line 19) for each forecast period (column 10, lines

1-7) and storing the FV amount (column 23, lines 25-26 and 60-61) and column 24, lines 17-23). Sandretto also teaches that the propensity rules can be used to determine an asset's discount rate (column 4, lines 13-16) and therefore the present value that Johnson discloses. Examiner notes that the reference teaches both storing projected returns as well as storing Net Present Value, the components of Future Value. It would have been obvious to one skilled in the art at the time the invention was made that storing of the components of Future Value could be used to easily determine the FV amount as FV is merely a calculation of the NPV in addition to returns.

Examiner further notes that propensity is the probability that something is likely to happen, a risk measure. Johnson teaches risk. One skilled in the art at the time the invention was made would understand that propensity rules are rules that measure and determine risk, and consequently rates used to discount or decrease future cash flow to obtain a net present value. Examiner also notes that the equation in the reference is a Future Value (FV) equation solving for Net Present Value (NPV). It would have further been obvious to one skilled in the art at the time the invention was made that this equation could easily be manipulated to solve for Future Value or ay of the other variables in the equation. Sandretto further teaches applying propensity rules/amounts/rates (abstract & column 4, lines 13-16 & column 5, lines 12-14). Therefore, it would have also been obvious to one skilled in the art at the time the invention was made that propensity rules are rules that measure and determine risk and are used as taught by Johnson and Sandretto in order to determine an asset's discount rate and therefore future value.

Examiner lastly notes that applying propensity rates/rules/etc. as measures of risk as taught by Johnson and Sandretto allow for accounting for deviations of value needed to more accurately estimate future value resulting from expected price changes such as inflation.

Applicant's attorney respectfully disagrees with this analysis, and submits that Applicant's independent claims 1, 19 and 37 are patentable over the references.

With regard to the assertion that Sandretto teaches "applying one or more FV propensity rules to the selected accounts and applying one or more FV attrition rules to results of the FV propensity rules using the selected amounts and rates" at column 8, line 60 – column 9, line 19 (which were originally in claims 2, 20 and 38, but now are in independent claims 1, 19 and 37), Applicant's attorney disagrees. This portion of Sandretto is bolded in the paragraph reproduced below:

Sandretto: column 8, line 60 – column 9, line 19

It is another object of the present invention to provide a method and apparatus for creating a portfolio by: (1) estimating an initial set of cash flows for each asset in a set of two or more assets using known or conventional methods; (2) generate additional estimated cash flows based

upon different estimates for one or more economic variables; (3) adjust the original set of cash flows and each additional set of cash flows for expected inflation; (4) determine an initial input risk measure for each asset based on a risk-return type asset pricing model; (5) determine an initial discount rate for each asset using the initial input risk measure for each asset and using different economic variables that relate to each set of cash flows (for example, the risk-free rate and the market risk premium which are typically different for each set of cash flows); (6) discount the inflation-adjusted cash flows at the discount rate to determine a present value for each set of cash flows; (7) use the present values to determine simulated returns for each asset; (8) use the simulated returns for each asset to determine at least one simulated market index return; (9) regress simulated asset returns against simulated market returns or else use division to determine an output risk measure for each asset; (10) use the resulting output risk measure for each asset to estimate a new input risk measure and; (11) repeats steps 1 through 10 (or 4 through 10 in some implementations) in an iterative process until, for each asset, the output risk measure approximates to within desired accuracy the input risk measure used to determine the most recently iterated discount rate.

There is no "applying one or more FV propensity rules to the selected accounts and applying one or more FV attrition rules to results of the FV propensity rules using the selected amounts and rates" being performed in this portion of Sandretto. "FV propensity rules" are defined at page 24, line 1 et seq. of Applicant's specification, while "FV attrition rules" are defined at page 28, line 8 et seq. of Applicant's specification. There is no discussion of an FV propensity rules or FV attrition rules in this portion of Sandretto. Instead, this portion of Sandretto refers only to determining a discount rate using an initial risk measure, discounting the inflation-adjusted cash flows at the discount rate to determine a present value for each set of cash flows, and then using the present values to determine simulated returns for each asset.

With regard to the assertion that Sandretto teaches "applying one or more FV propensity rules to the selected accounts" at the Abstract and column 4, lines 13-16, Applicant's attorney notes that this limitation is not recited in the claim. Applicant's attorney assumes the Office Action meant to refer to the limitations "matching the FV propensity rule against the selected accounts," instead. Applicant's attorney respectfully disagrees with the Office Action's analysis concerning Sandretto, based on the cited portions of Sandretto, which are bolded in the paragraphs reproduced below:

Sandretto: Abstract

Methods and apparatus for: (1) inputting economic variables expected to influence future asset values and asset-specific variables; (2) estimating financial statements, future asset values, and tentative asset NPVs using estimated economic variables and estimated asset-specific variables; (3) estimating different financial statements, future asset values and current asset NPVs assuming different estimates of the economic variables that affect asset values; and (4) processes to: (a) equate; or (2) reduce to acceptably small numbers the differences between: (i) the risk measures, terminal values, default premiums, and risk premiums used to determine current values, and (ii) risk measures, terminal values, default premiums, and risk premiums implied by the estimates of economic and firm-specific variables.

Sandretto: column 4, lines 13-16

In practice, many analysts do use judgment to estimate discount rates and many are highly successful investors and managers. Other analysts prefer a more objective process. The prior art development that has had by far the most significant influence on the field of finance was independently developed by William Sharpe and John Lintner in 1964 and 1965. **That prior art developed a theoretical mathematical relation between an asset's risk and its return (on investment). The resulting risk-measure can be used to determine an asset's discount rate.** The theoretical relation between an asset's risk and return is known in the prior art finance literature as the Sharpe-Lintner capital asset pricing model (CAPM):

There is no "matching the results of the FV propensity rule to the matched accounts" being performed in these portions of Sandretto. In these portions of Sandretto, there is no matching being performed, no matched accounts, and no discussion of FV propensity rules or their results. Instead, these portions of Sandretto refer only to estimating future asset values and asset NPVs using different estimates of the economic variables that affect asset values, as well as the discussion of an asset's risk and its return on investment, wherein a risk measure can be used to determine an asset's discount rate.

With regard to the assertion that Sandretto teaches "determining an initial propensity rate for the matched accounts" at column 4, lines 40-55, Applicant's attorney disagrees. This portion of Sandretto is bolded in the paragraph reproduced below:

Sandretto: column 4, lines 40-55

Because current methods are unable to estimate the expected value of the returns for investing either in an individual asset or in an index, in practice the CAPM is implemented using the following version of equation (1):

$$(2) R_{it} = R_{ft} + \beta_i \times (R_{mt} - R_{ft})$$

where:

R.sub.it =the actual return from investing in asset i during a prior period t

R.sub.mt =the actual return from investing in the market portfolio during a prior period t

R.sub.ft =the actual risk-free rate during a prior period t

.beta..sub.i =the slope coefficient derived by regressing R.sub.it against R.sub.mt

a simplified version, sometimes referred to as the market model, is sometimes substituted for equation (2) because in practice there is little difference between the two:

$$(3) R_{it} = \beta_i \times R_{mt}$$

There is no "determining an initial propensity rate for the matched accounts" being performed in this portion of Sandretto. Specifically, in this portion of Sandretto, there is no matching being performed, no matched accounts, and no discussion of propensity rates. Instead, this portion of Sandretto refers only to a capital asset pricing model (CAPM) using an actual return on investment for an assert and a market portfolio from a prior period.

With regard to the assertion that Sandretto teaches "calculating a rate change for the matched account" at column 17, line 59 – column 18, line 1, Applicant's attorney disagrees. This portion of Sandretto is bolded in the paragraph reproduced below:

Sandretto: column 17, line 59 – column 18, line 26

Step 130 tests whether the difference between each asset's input risk measure used to discount projected cash flows in Step 70 and that asset's output risk measure determined in Step 110 is within a predetermined acceptable range. If, in Step 130, the difference between the input risk measure and the output risk measure is greater than a predetermined amount for any asset, a new, adjusted input risk measure .beta. is determined in Step 140 for each such asset and the process returns back to Step 70 (or to Step 50 in some implementations where cash flows depend on the risk measure). However, unlike the iterative process for asset risk measures and for the risk premium, this difference cannot be reduced to an arbitrarily small amount, only to a minimum value that depends upon various input parameters and market prices for individual assets. Typically, but not in all cases, selecting a new .beta. that is between the input .beta. and the output .beta. will assure that the process will converge, as desired. If the difference between the input and output risk measures is less than a predetermined limit for each asset, Step 130 passes control to Step 150. Step 150, which is an optional, yet preferred step to the basic process, tests whether the difference between the sum of one or more estimated asset values in Step 70, and the sum of the actual market prices of those assets, is within a predetermined limit. If, in Step 150, the difference is greater than the

predetermined limit, the process continues to Step 160 where a new market risk premium (E(R.sub.m)-R.sub.f) is determined. For example, if the total actual market value of the assets is greater than the total market value determined by the process, then the estimated risk premium should be increased. After the risk premiums are adjusted in Step 160, the process returns back to Step 70. When the difference between the total actual market value of the assets and the total values determined by the process are within a predetermined limit, the process continues from Step 150 to Step 162.

There is no "calculating a rate change for the matched account" being performed in this portion of Sandretto, in the context of applying FV propensity rules. Instead, this portion of Sandretto refers only to determining whether a risk measure for an asset is within a predetermined acceptable range.

With regard to the assertion that Sandretto teaches "calculating an effective propensity rate for each forecast period by applying the rate change to each initial propensity rate for each forecast period" at column 9, lines 11-19, column 10, lines 1-7, and column 4, lines 36-67, Applicant's attorney disagrees. These portions of Sandretto are bolded in the paragraphs reproduced below:

Sandretto: column 4, lines 36-67

Because current methods are unable to estimate the expected value of the returns for investing either in an individual asset or in an index, in practice the CAPM is implemented using the following version of equation (1):

$$(2) R_{it} = R_{ft} + \beta_i \times (R_{mt} - R_{ft})$$

where:

R.sub.it =the actual return from investing in asset i during a prior period t

R.sub.mt =the actual return from investing in the market portfolio during a prior period t

R.sub.ft =the actual risk-free rate during a prior period t

.beta..sub.i =the slope coefficient derived by regressing R.sub.it against R.sub.mt

a simplified version, sometimes referred to as the market model, is sometimes substituted for equation (2) because in practice there is little difference between the two:

$$(3) R_{it} = \beta_i \times R_{mt}$$

From its inception this simple linear model has been the basis for what is by far the most extensive body of academic research in the field of finance, which includes thousands of academic and applied or practical articles in the fields of finance, economics, and accounting. The CAPM is also

widely used in the practice of business and finance. In both academic studies and in practice, the model is often used to estimate the risk of common stocks and possibly less often to estimate the value of common stocks. Typically the statistical method of linear regression is used to estimate an asset's risk as follows:

Sandretto: column 8, line 60 – column 9, line 19

It is another object of the present invention to provide a method and apparatus for creating a portfolio by: (1) estimating an initial set of cash flows for each asset in a set of two or more assets using known or conventional methods; (2) generate additional estimated cash flows based upon different estimates for one or more economic variables; (3) adjust the original set of cash flows and each additional set of cash flows for expected inflation; (4) determine an initial input risk measure for each asset based on a risk-return type asset pricing model; (5) determine an initial discount rate for each asset using the initial input risk measure for each asset and using different economic variables that relate to each set of cash flows (for example, the risk-free rate and the market risk premium which are typically different for each set of cash flows); (6) discount the inflation-adjusted cash flows at the discount rate to determine a present value for each set of cash flows; (7) use the present values to determine simulated returns for each asset; (8) use the simulated returns for each asset to determine at least one simulated market index return; **(9) regress simulated asset returns against simulated market returns or else use division to determine an output risk measure for each asset; (10) use the resulting output risk measure for each asset to estimate a new input risk measure and; (11) repeats steps 1 through 10 (or 4 through 10 in some implementations) in an iterative process until, for each asset, the output risk measure approximates to within desired accuracy the input risk measure used to determine the most recently iterated discount rate.**

Sandretto: column 10, lines 1-7

The process begins by estimating an initial set of financial statements and cash flows for each asset (only cash flows if the asset is a bond or similar asset) for some number of periods using estimated operating, financing, accounting and economic variables an analyst has input into the process. Estimated cash flows may be also be adjusted for expected price changes, such as inflation.

There is no "calculating an effective propensity rate for each forecast period by applying the rate change to each initial propensity rate for each forecast period" being performed in these portions of Sandretto. Specifically, in these portions of Sandretto, there is no discussion of an effective propensity rate or an initial propensity rate. Instead, these portions of Sandretto refer only to calculating an actual return from investing in an individual asset as well as a market portfolio (e.g., index) during a prior period using an actual risk-free rate for the period;

regressing simulated asset returns against simulated market returns to determine an output risk measure for each asset, using the resulting output risk measure to estimate a new input risk measure, until, for each asset, the output risk measure approximates to within a desired accuracy the input risk measure used to determine the most recently iterated discount rate; and estimating cash flows for each asset for some number of periods.

With regard to the assertion that Sandretto teaches "performing the FV propensity rule to calculate an FV amount from FV expected values and the effective propensity rates for each forecast period" at the Abstract, column 4, lines 13-16, column 8, line 60 – column 9, line 19, column 10, lines 1-7, Applicant's attorney disagrees. These portions of Sandretto are bolded in the paragraphs reproduced below:

> Sandretto: Abstract
>
> **Methods and apparatus for: (1) inputting economic variables expected to influence future asset values and asset-specific variables; (2) estimating financial statements, future asset values, and tentative asset NPVs using estimated economic variables and estimated asset-specific variables; (3) estimating different financial statements, future asset values and current asset NPVs assuming different estimates of the economic variables that affect asset values; and (4) processes to: (a) equate; or (2) reduce to acceptably small numbers the differences between: (i) the risk measures, terminal values, default premiums, and risk premiums used to determine current values, and (ii) risk measures, terminal values, default premiums, and risk premiums implied by the estimates of economic and firm-specific variables.**

> Sandretto: column 4, lines 13-16
>
> In practice, many analysts do use judgment to estimate discount rates and many are highly successful investors and managers. Other analysts prefer a more objective process. The prior art development that has had by far the most significant influence on the field of finance was independently developed by William Sharpe and John Lintner in 1964 and 1965. **That prior art developed a theoretical mathematical relation between an asset's risk and its return (on investment). The resulting risk-measure can be used to determine an asset's discount rate.** The theoretical relation between an asset's risk and return is known in the prior art finance literature as the Sharpe-Lintner capital asset pricing model (CAPM):

> Sandretto: column 8, line 60 – column 9, line 19
>
> **It is another object of the present invention to provide a method and apparatus for creating a portfolio by: (1) estimating an initial set of cash flows for each asset in a set of two or more assets using known or conventional methods; (2) generate additional estimated cash flows based**

upon different estimates for one or more economic variables; (3) adjust the original set of cash flows and each additional set of cash flows for expected inflation; (4) determine an initial input risk measure for each asset based on a risk-return type asset pricing model; (5) determine an initial discount rate for each asset using the initial input risk measure for each asset and using different economic variables that relate to each set of cash flows (for example, the risk-free rate and the market risk premium which are typically different for each set of cash flows); (6) discount the inflation-adjusted cash flows at the discount rate to determine a present value for each set of cash flows; (7) use the present values to determine simulated returns for each asset; (8) use the simulated returns for each asset to determine at least one simulated market index return; (9) regress simulated asset returns against simulated market returns or else use division to determine an output risk measure for each asset; (10) use the resulting output risk measure for each asset to estimate a new input risk measure and; (11) repeats steps 1 through 10 (or 4 through 10 in some implementations) in an iterative process until, for each asset, the output risk measure approximates to within desired accuracy the input risk measure used to determine the most recently iterated discount rate.

Sandretto: column 10, lines 1-7

The process begins by estimating an initial set of financial statements and cash flows for each asset (only cash flows if the asset is a bond or similar asset) for some number of periods using estimated operating, financing, accounting and economic variables an analyst has input into the process. Estimated cash flows may be also be adjusted for expected price changes, such as inflation.

There is no "performing the FV propensity rule to calculate an FV amount from FV expected values and the effective propensity rates for each forecast period" being performed in these portions of Sandretto. Specifically, in these portions of Sandretto, there is no discussion of FV propensity rules or FV expected values or effective propensity rates. Instead, these portions of Sandretto refer only to estimating future asset values and asset NPVs using different estimates of economic variables that affect asset values, including risk measures; the mathematical relation between an asset's risk and its return on investment which results in a risk-measure that can be used to determine an asset's discount rate; regressing simulated asset returns against simulated market returns to determine an output risk measure for each asset, using the resulting output risk measure to estimate a new input risk measure, until, for each asset, the output risk measure approximates to within a desired accuracy the input risk measure used to determine the most

recently iterated discount rate; and estimating cash flows for each asset for some number of periods.

Apart from these differences comparing Applicant's claims to Sandretto, Applicant's attorney also notes that Johnson merely describes a method of valuation of large groups of assets by partial full underwriting, partial sample underwriting and inferred values of the remainder using an iterative and adaptive statistical evaluation of all assets and statistical inferences drawn from the evaluation and applied to generate inferred values. Individual asset values are developed and listed in tables so that individual asset values can be taken and quickly grouped in any desired or prescribed manner for bidding purposes. The assets are collected into a database, divided by credit variable, subdivided by ratings as to those variables and then rated individually. The assets are then regrouped according to a bidding grouping and a collective valuation established by cumulating the individual valuations. Specifically, the portions of Johnson cited by the Office Action merely refer to establishing valuations of assets using NPV (Net Present Value), not FV (Future Value). However, as admitted by the Office Action, nowhere do the above portions of Johnson refer to FV (Future Value) propensity rules, initial propensity rates, rate changes, effective propensity rates, or the specific steps or functions performed by Applicant's claims.

Further, as noted above, Sandretto merely describes methods and apparatus for: (1) inputting economic variables expected to influence future asset values and asset-specific variables; (2) estimating financial statements, future asset values, and tentative asset NPVs using estimated economic variables and estimated asset-specific variables; (3) estimating different financial statements, future asset values and current asset NPVs assuming different estimates of the economic variables that affect asset values; and (4) processes to: (a) equate; or (2) reduce to acceptably small numbers the differences between: (i) the risk measures, terminal values, default premiums, and risk premiums used to determine current values, and (ii) risk measures, terminal values, default premiums, and risk premiums implied by the estimates of economic and firm-specific variables. The portions of Sandretto cited by the Office Action refer to "future asset values," but Sandretto does not determine these values in the manner recited in Applicant's independent claims. Indeed, the portions of Sandretto cited against Applicant's independent claims 1, 19 and 37 do not teach or suggest FV propensity rules, initial propensity rates, rate changes, effective propensity rates, or the specific steps or functions performed by Applicant's

claims. Instead, Sandretto merely refers to estimating discount rates by calculating risk measures, which are used to discount projected cash flows.

The remaining references, namely Atkins, and Kuhlemeyer, fail to overcome these deficiencies of Johnson and Sandretto. Recall that these references were cited only against dependent claims 6, 8-9, 11-17, 24, 26-27, 29-35, 42, 44-45, and 47-53, and were cited only for containing limitations shown in those dependent claims.

Consequently, the various elements of Applicant's claimed invention together provide operational advantages over Johnson, Sandretto, Atkins, and Kuhlemeyer. In addition, Applicant's invention solves problems not recognized by Johnson, Sandretto, Atkins, and Kuhlemeyer.

Thus, Applicant submits that independent claims 1, 19, and 37 are allowable over Johnson, Sandretto, Atkins, and Kuhlemeyer. Further, dependent claims 3-9, 11-18, 21-27, 29-36, 39-45 and 47-54 are submitted to be allowable over Johnson, Sandretto, Atkins, and Kuhlemeyer in the same manner, because they are dependent on independent claims 1, 19, and 37, respectively, and thus contain all the limitations of the independent claims. In addition, dependent claims 3-9, 11-18, 21-27, 29-36, 39-45 and 47-54 recite additional novel elements not shown by Johnson, Sandretto, Atkins, and Kuhlemeyer.

III. Conclusion

In view of the above, it is submitted that this application is now in good order for allowance and such allowance is respectfully solicited.

Should the Examiner believe minor matters still remain that can be resolved in a telephone interview, the Examiner is urged to call Applicant's undersigned attorney.

Respectfully submitted,

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